



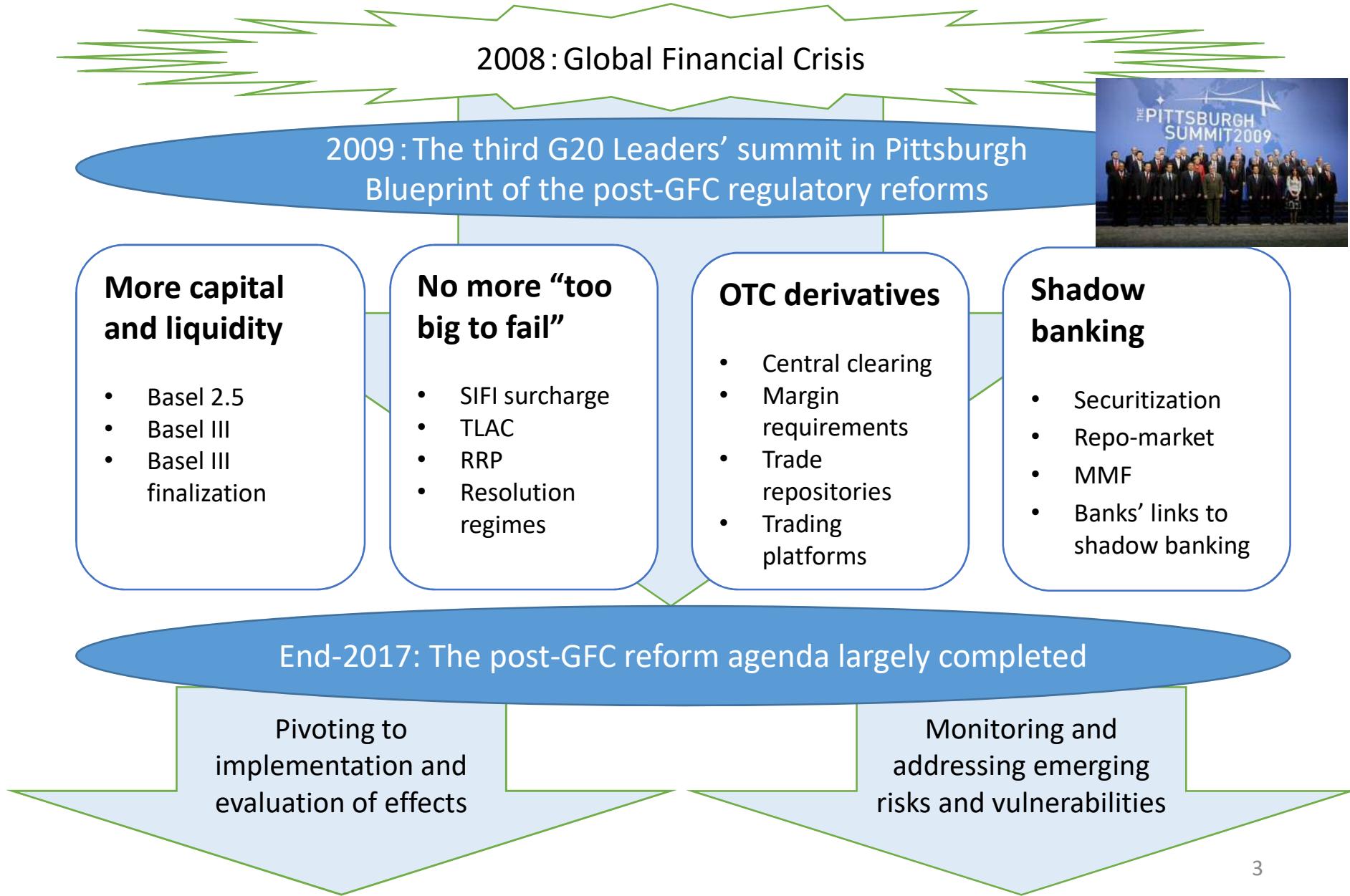
The G20 in 2019: Financial Sector Priorities

Global Markets Advisory Committee Meeting in D.C., April 15, 2019

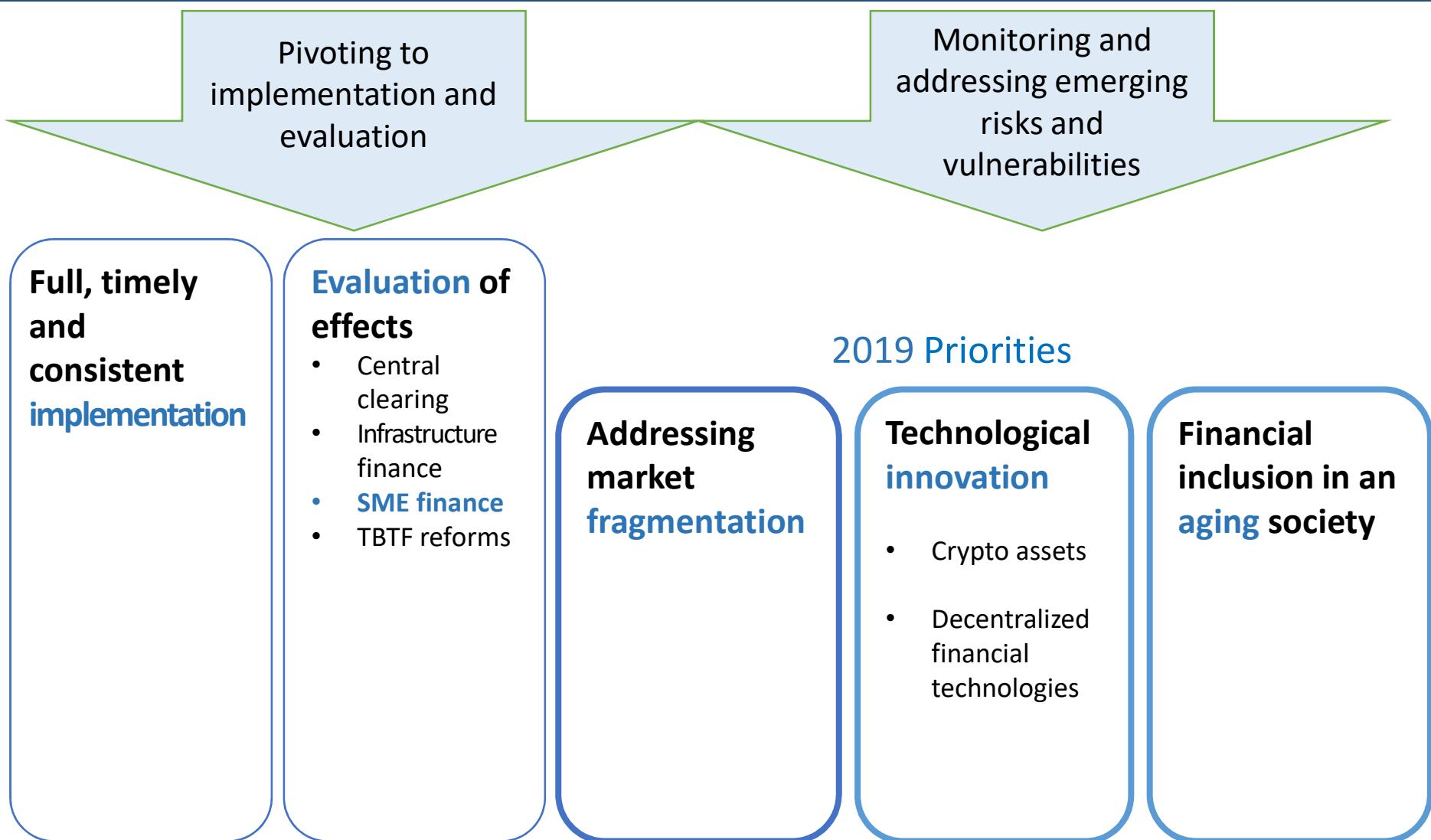
Shunsuke Shirakawa
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Financial Services Agency, Japan

*Where are we in the history of the G20?
What are the goals of the Japanese presidency?*

G20's First Decade



The G20 in 2019 and beyond



Roadmap to Fukuoka and Osaka

January 17	Symposium on demographic changes and macroeconomic challenges	Tokyo
January 17-18	Deputies' meetings	
April 2	Roundtable on AML/CFT issues relating to financial innovation	Washington, D.C.
April 11-12	Ministers' and Governors' meetings	
June 7	Symposium on aging and financial inclusion	Tokyo
June 8	Seminar on financial innovation	Fukuoka
June 8-9	Ministers' and Governors' meetings	
June 28-29	Leaders' summit	Osaka

Market fragmentation

Market fragmentation (1)

- Leaders' statement (Pittsburgh Summit, 2009):
“We are committed to take action at the national and international level to raise standards together . . . in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage.”
- Leaders' declaration (Buenos Aires Summit, 2018):
“We will . . . through continued regulatory and supervisory cooperation, address fragmentation.”
- There are, however, concerns that some markets may have become fragmented along national lines due to inconsistent, overlapping or incompatible regulations or supervisory practices.
- Some market fragmentation is intended and can have a positive effect on financial stability.
- Trade-offs between the benefits of increased cross-border activity and a need to tailor domestic regulatory frameworks to local conditions should be considered.



We focus on regulatory and supervisory market fragmentation which has negative impact on financial stability and market efficiency.

Market fragmentation (2)

- Potential sources of market fragmentation driven by regulatory and supervisory measures:
 - ✓ Inconsistencies in both the timing and substance of the implementation of international standards
 - ✓ Extraterritoriality or location policies of national rules
 - ✓ Incompatibilities between home and host regulatory/supervisory requirements
- Examples where supervisory and regulatory policies may give rise to market fragmentation:
 - ✓ Cross-border trading and clearing of OTC derivatives
 - ✓ Banks cross-border management of capital and liquidity
 - ✓ Sharing of information across borders
- Pursuing possible approaches to address market fragmentation in the following phases:
 - ✓ Development of international standards
 - ✓ Domestic rulemaking in each jurisdiction
 - ✓ Deference and recognition of foreign regulatory framework
 - ✓ Cross-border supervisory cooperation between authorities

Technological innovation

Technological innovation

Crypto-assets

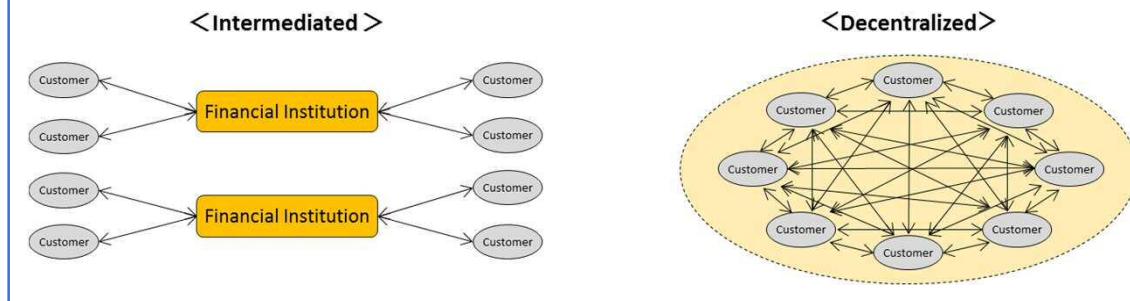
Crypto assets are borderless by nature.
Can national regulators effectively address the challenges?

- *AML/CFT*
- *Directory*
- *Platforms*

Decentralized financial technologies

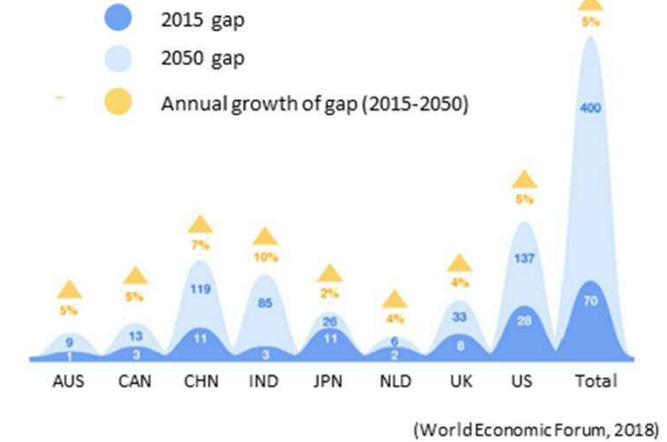
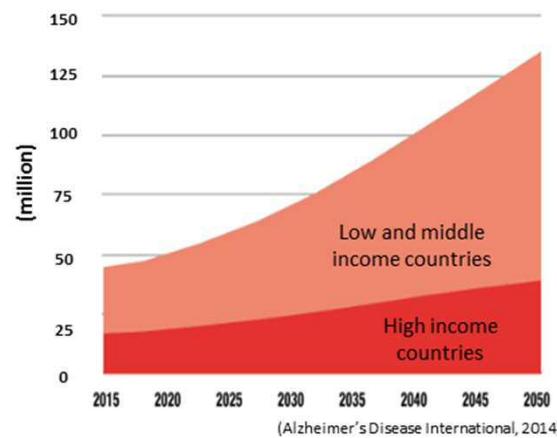
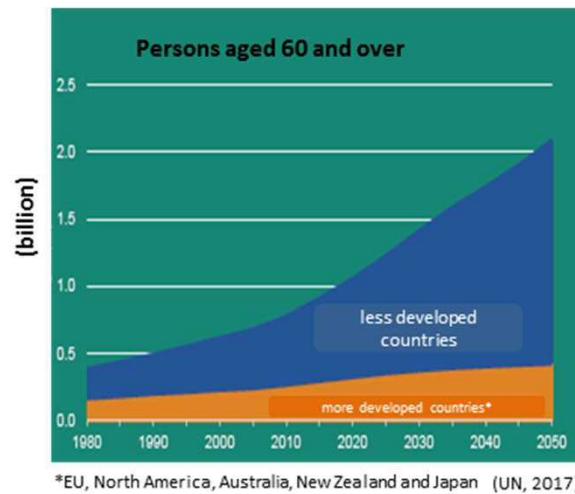
Public authorities have overseen financial systems mainly by regulating and supervising intermediaries.

How will they oversee financial systems where decision making and responsibilities are distributed among diverse stakeholders?



Aging and financial inclusion

Aging and financial inclusion



- Globally, two billion people will be 60 or over by 2050.
- In Japan, there will be half a million people over 100.
- Globally, there will be 130 million people with dementia in 2050.
- In Japan, about 200 trillion yen will be held by those with dementia in 2030.

There will be an estimated retirement savings gap of US\$400 trillion by 2050 for these eight countries alone.